

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 L-03 EUR-12
SS-15 NSC-05 PM-04 DODE-00 /093 W
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P 121342Z JUL 77
FM AMEMBASSY TEL AVIV
TO ECSTATE WASHDC PRIORITY 7182

C O N F I D E N T I A L TEL AVIV 5069

E.O. 11652: GDS
TAGS: EFIN, IMF, IS
SUBJECT: GOI CONCERN OVER ITS SHARE IN IMF GOLD SALE PROFITS

REF: TEL AVIV 4987

1. FINANCE MINISTRY ECON ADVISOR DOVRAT CALLED ON
DMC JULY 12 TO FORMALLY REQUEST U.S. HELP IN BLOCKING MOVE TO
DEPRIVE ISRAEL OF ITS SHARE IN GOLD SALE PROFITS. DOVRAT
STATED THAT HE SPOKE IN NAME OF FINANCE MINISTER EHRLICH
AND GOI. IN ADDITION TO RESTATING POSITION DESCRIBED
REFTEL, DOVRAT RAISED SEVERAL OTHER POINTS.

2. DOVRAT CONTENDED THAT THE CRITERIA FOR SELECTING
THE COUNTRIES TO BE DEPRIVED OF SHARES IN GOLD SALE
PROFITS MADE LITTLE ECONOMIC SENSE. HE SAID THAT
THE GOI IS AWARE OF AN INTERNAL IMF STAFF STUDY
BUTTRESSING THE GOI'S POSITION ON THIS POINT WHICH
WAS OVERRULED BY THE MANAGING DIRECTOR ON ESSENTIALLY
POLITICAL GROUNDS. THE GNP/CAPITA CRITERION IS
UNFAIR AS APPLIED TO ISRAEL BECAUSE ISRAEL'S GNP
INCLUDES THE MILITARY SECTOR WHICH ACCOUNTS FOR
ONE-THIRD OF DOMESTIC ECONOMY. FURTHERMORE, THE GNP
IS CONVERTED INTO SDR'S AND DOLLAR VALUATION AT AN
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ARTIFICIALLY LOW EXCHANGE RATE. A TRUE EQUILIBRIUM
RATE MIGHT BE AS MUCH AS IL 20 EQUAL \$1. ABILITY TO
CONTRIBUTE SHOULD BE BASED ON BALANCE OF PAYMENTS
CONSIDERATIONS. AS IT WAS, ISRAEL, WITH SERIOUS
BALANCE OF
PAYMENTS PROBLEMS, WAS AKSED TO CONTRIBUTE
AS MUCH AS SAUDI ARABIA, A SITUATION WHICH MADE NO

SENSE ON ECONOMIC GROUNDS.

3. IF THE MOVE TO DEPRIVE ISRAEL OF ITS SHARE IS
BLOCKED, ISRAEL WILL BE WILLING TO BE GENEROUS IN
CONSIDERING A VOLUNTARY CONTRIBUTION TO THE TRUST FUND,
BUT IT DOES NOT WANT TO LOSE ITS SHARE BY FIAT.

4. GOI PLANS TO APPROACH GERMAN GOVERNMENT FOR SUPPORT
ON VOTE AND IS ALREADY SURE HOLLAND WILL BACK ITS
POSITION. IT ASKS THAT THE USG HELP GARNER ADDITIONAL
VOTES.

5. DOVRAT ALSO THOUGHT IT UNFAIR THAT ISRAEL'S OFFER
TO CONTRIBUTE 25 PERCENT OR MORE OF ITS SHARE WAS NOT
NOTED IN THE IMF AGENDA PAPER, WHILE THAT OF GREECE
WAS MENTIONED.

6. EMBASSY UNDERSTANDS THAT A SIMILAR APPROACH HAS
BEEN MADE TO TREASURY BY ISRAELI EMBASSY IN WASHINGTON.

7. COMMENT: PRESENTATION REFLECTS HIGH-LEVEL GOI
CONCERN OVER POSSIBLE POLITICIZATION IMF ALONG LINES
ISRAELIS HAVE SEEN IN UN BODIES. ISRAELIS ARE
EXTREMELY WARY OVER PRECEDENT THEY SEE GIVING OPEC
VOICE IN IMF AFFAIRS. GOI HAS HAD GOOD RELATIONSHIP
WITH IMF AND HOPES TO CONTINUE DRAWING ON ITS RESOURCES
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TO FINANCE SERIOUS BALANCE OF PAYMENTS DEFICIT WHICH
IS MAIN ECONOMIC PROBLEM FACING POLICYMAKERS.
LEWIS

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Message Attributes

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Copy: SINGLE
Sent Date: 12-Jul-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Disposition History: n/a
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